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Economic Development in the Occupied Territories

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ECONOMIC DEVELOPMENT IN THE OCCUPIED TERRITORIES

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Sociologists have generally approached economic change in Palestine—the area now divided into Israel, the West Bank and Gaza—through various models: the traditional colonial theory; dependency; integration into the capitalist system; dualism, which in this case argues that the two sectors (the modern, capitalist Jewish sector and the traditional, non-capitalist Arab sector) developed separately, either unaffected by one another or with positive spillover effects from the Jewish sector into the Arab sector. Some Israelis have also used interdependency concepts to explain interaction between the two sectors; that is, they argue that the two sectors are mutually beneficial. In application, each of these models alone fails to explain Palestine's economic development, or rather lack thereof.

Because of the many geopolitical changes Palestine has encountered during the last two centuries, its development has probably incorporated some aspects of all of these theories at various times. Therefore, although the main focus of this study is on the Occupied Territories (or Administered Territories, as the Israelis prefer), I will briefly review some of the main features of economic change in Palestine, first in the Ottoman period, which lasted until 1917; second, during the British Mandate, which terminated in 1948; and then in the period from 1948 to 1967, when the territories were under Jordan's and Egypt's rule. This backward glance will provide a context of contrast and historical perspective.

A few problems are encountered in such a study. Due to the various political interests in the area, it is sometimes difficult to know how researchers define the borders of the territories, particularly those of the West Bank (or Judea and Samaria, as they are called by Israelis). Because Israel annexed East Jerusalem, Israeli researchers often exclude East Jerusalem from their figures for the territories, while Arab and most outside researchers include it, as the annexation is illegal under international law. Also, some studies are ambiguous as to whether Jewish settlement activities are being included and how different the figures would be if the settlements were not included.

Moreover, Gaza is less often the focus of research than is the West Bank. In this context, the territories will be treated corporately, except where the case of Gaza is different or particularly noteworthy. In many ways, Gaza's experience is worse in degree than in kind, due to high population density (second only to China, 85 percent urban) and the fact that Gazans do not have the benefits of citizenship and passport (and hence mobility) from Egypt that West Bankers do from Jordan.

During the mid-nineteenth century, as a result of European industrialization, Palestine was increasingly brought into the capitalist system. The coastal and inland plains were cultivated, and production was increasingly geared toward external markets. Exports grew rapidly, and by the 1870s far outweighed imports.[1] The revenues from the substantial export surplus helped to finance the Ottoman public debt before Zionist contributions entered the picture.

From 1856 to 1882, Palestine's main exports were wheat, barley, dura, sesame, olive oil, soap, oranges, and various other fruits and vegetables. Although at first these were marketed regionally to Egypt, Lebanon, Syria and Greece, they were increasingly exported to France and England. During the American Civil War, cotton was also a primary export, but after the war's resolution, cotton production declined to a standstill.

According to consular reports, this remarkable economic upswing was manifested in growing prosperity. Although, as is usually the case, the direct producers (the farmers) did not benefit as much as the landholders, merchants, etc., consular reports testify that hoarding and buying of tangible investments, such as jewelry, did occur among the peasants.[2]

While this introduction to the world market enhanced export revenues and produced a vigorous economy, there was a flipside to this coin. True to the classical model of the international flow of commodities, Palestine also became a docile market for consumer goods. Rice, sugar, coffee, cotton manufactures, timber, wine, petroleum (from the United States) and coal were among the imported goods. Luxury items were aimed mostly at European residents, but they also reflected a growing consumer economy.

Domestic industries were hurt by the influx of European goods, which, due to the industrial revolution, could be produced much more cheaply than the traditional products of the Arabs. The new availability of gas lamps snuffed out the indigenous candle-wax producers, and gasoline cans and well-digging destroyed the earthenware industry. The textile industry, however, adapted by converting to cheaper, lower-quality items. Due to the problems of shipping pottery (fragile) and leather (bulky), these two local industries managed to survive. The soap industry remained unscathed because Arab soap was produced from olive oil (no animal fats) and, therefore, continued to be in demand in Islamic countries. The building industry flourished, however, and a few new industries—tourism, hotels, antiques, law, and photography—arose in response to the development of communication and transportation lines.[3]

It is helpful to note here that the Ottomans instituted several land laws during this period that enhanced foreign participation and laid the foundation for later colonization,[4] though increased revenues seems to have been the intention of these laws.[5]

[1]Roger Owen, ed.,*Studies in the Economic and Social History of Palestine in the Nineteenth and Twentieth Centuries* (Carbondale, Ill: Southern Illinois Press, 1982), p. 20; but see Haim Gerber, "Modernization in Nineteenth-Century Palestine—The Role of Foreign Trade," *Middle Eastern Studies*, vol. 18, no. 30, p. 259. He says that imports outweighed exports but that Zionist money transfers accounted for a good portion of imports.

[2]Alexander Scholch, "The Economic Development of Palestine, 1856-1882," *Journal of Palestine Studies*, vol. 10, no. 3, p. 53.

[3]Gerber, pp. 251-255.

[4]Alexander Scholch, "European Penetration and the Economic Development of Palestine, 1856-1882," in Owen, p. 56.

[5]For a more thorough accounting of these laws and

Three waves of land laws (in the late 1850s, late 1860s, mid-1870s) worked together to enable individuals to dispose of land and resulted in large landed properties. Peasants who were deluged with tax debt sought wealthy investors to buy village lands (sometimes whole villages) and pay off these debts. In most cases, however, the peasants were still allowed to cultivate the land. In general, three groups of people purchased the land: notables, the new bourgeoisie of Christians and Jews and European protégés, and foreign colonists (primarily the German Templars and Jews, who exported mainly wine and cognac). However, as Zionist (as opposed to the previously Jewish capitalist) land purchases increased, more cultivated land was bought and more families were dispossessed. By 1929, 29.4 percent of the peasants had lost their land to Zionist settlement.[6]

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Throughout this period, although exports increased, both the agricultural and manufacturing sectors still maintained a healthy degree of diversity and local orientation, which enabled the economy to weather natural crop failures. The increase in production was due not to the intensification or modernization of methods, but to the extension of area under cultivation. Nevertheless, one can see that the foundation had been laid for transforming Palestine into a peripheral economy.

Although sociologists have interpreted the British Mandate period as a colonial period in Palestine, this colonialism had some atypical characteristics—the primary one being that the principal goal of the Mandate was to establish a national home for the Jews in Palestine. This indicated that British interests were not supreme. Moreover, because Palestine was not a treasure trove of raw materials nor a ripe opportunity for industrial investment, British interests appear to have been more political and strategic.

At this historical juncture, dualistic theories enter to assay the period starting with the Mandate and extending through the present time. Propounders of this view, mostly Israelis, say that in Palestine

> two autonomous and rival national communities. . . went about their separate collective institutional and social lives, turning Palestine into a binational dualistic entity. . . . One was the low-income, primarily rural, and relatively backward Arab economy, and the other was the relatively modern, high-income, and urban Jewish economy.[7]

According to these thinkers, both sectors were growing, but the Jewish sector grew

their interpretation and effects, see Owen above; also Nahla Zubi, "The Development of Capitalism in Palestine: The Expropriation of the Palestinian Direct Producers," *Journal of Palestine Studies*, vol. 13, no. 4, pp. 88-109; and Raja Shehadeh, "The Land Law of Palestine," *Journal of Palestine Studies*, vol. 11, no. 2, pp. 82-99.

[6]Zubi, p. 99.

[7]Jacob Metzer and Oded Kaplan, "Jointly but Severally: Arab-Jewish Dualism and Economic Growth in Mandatory Palestine," *Journal of Economic History*, vol. 45, no. 2, p. 328; see also Eliezer B. Ayal, "Arab Labor in Palestine and Beyond Within a Two Sector Development Model," *Middle East Reports*, vol. 15, nos. 3-4, pp. 53-61.

faster due to external inputs. Discounting dispossessed Arab peasants, the dualists say the Jewish sector grew without expense to the Arab sector and perhaps to its benefit.

During this period, Jewish productivity grew nearly twice as fast as Arab productivity. Arab exports to the Jewish sector grew from 9.3 percent of Arab net product in 1921 to 14 percent in 1935. If we include land sales, exports grew from 13.9 percent to 24.5 percent. Payments for land transfers accounted for one-third of intersectoral transactions, and according to Metzer and Ayal these capital gains promoted growth in the Arab economy.[8] Between 1931 and 1937, 529 new Arab enterprises are estimated to have started, but these were no competition for the larger Jewish enterprises. Arab transport and trade services were used extensively by Jews, and Arab building materials fed expanding Jewish construction. However, due to Zionist prohibitions, the use of Arab labor in the Jewish economy was still relatively small, but such use was more common in private Jewish industries. Israeli sociologists point to this opportunity for wage labor as one of the spillover benefits to the Arab sector, but as Nahla Zubi points out, much of the unemployment had been created by Zionist land deals in the first place. By World War II, 40 percent of Arab labor was wage labor.[9]

The Jews who immigrated during this period were mostly skilled Europeans who transferred large sums of capital with the intention to invest in farms, industry and trade. The Jewish sector obviously used more capital-intensive, advanced technology. This did affect, for instance, the Arab olive-oil industry, which could not compete with the large-scale industry of the Jews and their ability to import cheaper olive oil from other countries. Moreover, the Jewish industrial sector had pressured the British to make several changes in land and tax laws, one of which was to lift duties on imported olive oil and sesame seed.[10] However, after the Arab rebellions in the 1930s, the British rescinded some of the tax and tariff changes that had benefited the Jewish sector and hurt the Arab sector.

The Histadrut, the Zionist trade union, also pressured the British to employ a guaranteed quota of Jews. Because the Arabs were unorganized, Jews were able to secure from the British higher wages than the Arabs. In addition, after 1935 real wages for Arabs declined more rapidly than those for Jews.[11]

After the 1948 War and the creation of the state of Israel, the part of Eastern Palestine (what is now called the West Bank) which had not been subsumed into the Israeli state was annexed by Jordan, and the Gaza Strip was annexed by Egypt. For the West Bank, this meant it was cut off from the markets and ports in the coastal and northern areas. With the influx of refugees, Jordan's East Bank almost doubled in population, and the government's economic policies favored East Bank development. In 1948 the East Bank, with its capital city Amman, had been less developed than the West Bank, but by 1967, the reverse was true. Nevertheless, some sources say that by 1966 the West Bank had 7,300 industrial establishments, 48 percent of both Banks, contributed 20 percent of Jordan's aggregate GNP, and was generating an annual growth rate of 6-8 percent per capita.[12] Tourism, which flourished under

[8]Ibid., pp. 339-40.

[9]Ayal, p. 56.

[10]Sarah Graham-Brown, "The Political Economy of the Jabal Nablus, 1920-48," in Owen, pp. 97, 140.

[11]Ibid., p. 151.

[12]Yusif A. Sayigh, "The Palestinian Economy Under Occupation: Dependency and Pauperization," *Journal of Palestine Studies*, vol. XV, no. 4, p. 61.

Jordanian rule, probably accounted for many of these industries.

Financed by Jordan and outside charitable organizations, education increased in importance, and the brain drain began. Since much education was obtained abroad and jobs followed, the area became dependent on external transfers of dollars. Fortunately, Jordan was able to provide a good deal of local employment in the public sectors, teachers, bureaucrats and other civil service jobs, which helped keep some professionals at home.

However, after the 1967 war, Israel occupied the West Bank and Gaza and instituted a number of policies, regulations and military orders that have greatly affected the economy of the territories.

The most conspicuous and controversial of its policies has been land confiscations.[13] Of the West Bank's 5.8 million dunums (1 dunum = approximately 1/4 acre), Israel now controls at least 40 percent, or 52 percent of cultivable land.[14] Israeli settlements occupy about 170,000 dunums and are mostly agricultural in nature. Forty percent of the Jordan Valley, which is very fertile land, is in Israeli hands.[15] In Gaza, Israel has confiscated about 34 percent.

Land confiscation has been implemented by means of a number of orders that modified the laws in existence at the time of occupation. Among the first orders was Military Order No. 58, which vested in the hands of the military administration (the Custodian of Absentee Property) all lands of individuals not present on the date of occupation. Military Order No. 25 prohibited any land transactions from occurring without approval of the Custodian, who was given wide powers of ownership. Military Order No. 59 took possession of state land (a particularly controversial category, as "state land," by traditional definition, was cultivated by families for many generations and includes village- or communally-held grazing lands[16]). Lands were also closed and confiscated for security, military, and public purposes, but often these lands are eventually given to settlers, since Israel considers settlers to be part of its security strategy.[17]

In numerous cases when Arabs have refused to sell or give up their land, authorities or settlers have resorted to destroying crops and closing off tracts of land during the night.

In addition, Military Order No. 291 halted all title settlement procedures. These procedures had started under the Mandate and continued under Jordanian rule, but only one-third had been settled by 1967.[18] Israeli authorities have also started inserting a clause in building permits to the effect that while the Palestinian applicant has permission to build a house on the land, the land does not belong to him. This latter tactic has been applied mainly in urban areas.[19]

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[13]Some have even ventured to call this land reform. One paper on mass settlement in Israel was presented at a conference on land reform.

[14]Fawzi A. Gharaibeh, *The Economies of the West Bank and Gaza Strip*, (Boulder, Co.: Westview Press, 1985), p. 60.

[15]Emile Sahliyeh, "West Bank Industrial and Agricultural Development: The Basic Problems," *Journal of Palestine Studies*, vol. 11, no. 2, p. 65.

[16]See Shehadeh.

[17]"Twenty Years of Confiscating Land," *Al-Fajr*, June 14, 1987, pp. 8-9.

[18]*Living Conditions of the Palestinian People in the Occupied Territories* (New York: United Nations, 1985), p. 6.

[19]Ibid., p. 4.

Civilians were given permission to buy land, but after speculation occurred, this practice was curtailed. In numerous cases when Arabs have refused to sell or give up their land, authorities or settlers have resorted to destroying crops and closing off tracts of land during the night.[20]

Closely related to land expropriation has been the Israeli settlement policy. Immediately after the war, the Israeli government, headed by Labor at that time, established eight military outposts (which developed into settlements) in the Jordan Valley (the most fertile area of the West Bank), numerous settlements in and around Jerusalem, and one in Gaza. Settlement establishments continued to increase so that by 1977, when the Likud government came to power, there were 5,000 settlers in 36 settlements. Currently there are about 150 settlements on the West Bank and 18 in Gaza.

Settlement strategy has been to surround and isolate Palestinian communities, hindering organized action and rendering the carving out of a Palestinian homeland nearly impossible. Settlements are also often located on hilltops, and situated in a way to gain access to the eastern water aquifer, the only aquifer Israel had not yet tapped by 1967.

The settlements pose an illustrative contrast of how Israeli revenues for the territories are distributed. The Israelis have spared no cost when it comes to the settlements. Most settlements are fully equipped and connected to the Israeli water and electrical grid. And when settlements failed to fill up as quickly as the government had hoped for, they resorted to subsidy. For example, the 1983-4 settlement budget called for $470 million, in addition to the $80-$100 million that would go to settler subsidies. Land was given to developers at nominal cost. Buyers received interest-free, non-indexed loans and outright grants.[21] Moving trucks and credit cards for electricity, water, food seeds, and fertilizers are supplied to newcomers.[22]

The Israelis can truthfully boast of infrastructural improvements in the Occupied Territories, but these improvements have been designed to facilitate Jewish settlement. An elaborate grid of roads has been built to connect the settlements to one another and to Israel.

Electricity is another matter of concern. The West Bank has long been serviced by the Jerusalem Electric Company, a Palestinian company, but the Israeli Electric Company has now required the JEC to relinquish its servicing of the settlements. Because Israel refused to grant the JEC permission to purchase more generating equipment, the JEC was some $30 million in debt from having had to purchase current from the IEC.[23]

Israeli water policies have been another problematic area. Water resources have been placed under direct responsibility of the Israel Water Commission. There are three main aquifers in the West Bank, located in the north, west and east. Even before 1967 Israel was tapping the western and northern aquifers, but after 1967 Israel was also able to pump from the eastern one.

The total annual water supply on the West Bank is about 850 million cubic meters. About 100-120 mcm of that is con-

[20]See Sarah Graham-Brown, "The Economic Consequences of the Occupation," in Naseer H. Aruri, ed., *Occupation: Israel Over Palestine* (Belmont, MA: Association of Arab-American University Graduates, 1983), p. 176; and Baruch Kimmerling, "The Reopening of the Frontiers, 1967-82," in Ernest Krausz, ed., *Politics and Society in Israel*, (New Brunswick: Transaction Books, 1985), vol. III, p. 100.

[21]Merle Thorpe, Jr., *Prescription for Conflict* (Washington, D.C.: Foundation for Middle East Peace, 1984), p. 35.

[22]Graham-Brown in Aruri, p. 175.

[23]"JEC Board, Workers Disagree on New Plan," *Al-Fajr*, Jan. 3, 1988, p. 3.

sumed by Palestinians. Before 1967 Israel was consuming more than 60 percent of the West Bank's water, which accounted for about 55 percent of Israel's total supply. Now it takes about 80 percent of West Bank water.[24] Israel draws another 9 mcm per year from the River Jordan, endangering the Jericho springs.

Shortly after 1967, Israel destroyed 140 water pumps in the Jordan Valley and, for its settlements, has since drilled at least 25 new wells, all suitable for irrigation, causing springs and wells in neighboring Arab villages to dry up. In 1977-78, the 17 wells of Jordan Valley settlements pumped 14.1 mcm, while the 106 local wells pumped 12.1 mcm.[25] This has had catastrophic effects on crop yields. According to a recent article in *Al Fajr* (December 13, 1987) entitled "Jordan Valley Spring Goes Dry," in 1987 in the village of Al-Ouja, only 2,000 of the normal 9,000 dunums of land could be cultivated. In 1985, some villagers had to pay as much as $18,000 to supplement their irrigation-water supply. In addition, Israel denies permission for Palestinians to drill wells for agricultural purposes. Instead, meters have been affixed to wells to enforce limitations on Arab irrigation. Settlements have no restrictions placed on water usage.

The coastal aquifer which serves Gaza is overly exploited by Israel and now suffers from salination from the Mediterranean. Unlike the West Bank, where only 4 percent of agriculture is irrigated, in Gaza, 45 percent of agriculture is irrigated, so water restrictions and salinity have greatly hurt farmers.[26] In 1984, Gazan settlers consumed about 30-60 mcm annually, while the total Palestinian population in Gaza consumed about 100 mcm.

[24]"Water Politics," *The Middle East*, February 1981, p. 54.

[25]Sahliyeh, p. 66.

[26]"Water Politics," p. 54.

These land, water and settlement policies have worked together to debilitate the Palestinian economy, which was agriculturally based. About half of the 5.8 million dunums which make up the West Bank are cultivable. About 70 percent of farmers own their land; the rest are tenant farmers. Arab farmers still rely mostly on labor intensive crops, while Israeli farms rely on capital intensive. Palestinian farmers have adopted some mechanization. For example, in 1967 there were 147 tractors in use and by 1977, there were 1,534. The use of Israeli seed stock and fertilizers is up from 4,000 tons in 1968 to 15,100 in 1976.[27] But this is not a generalized trend. Fertilizers don't respond well in water-stressed conditions; the shallow, rocky ground is not conducive to mechanized tilling;[28] and all these inputs and technology must be purchased through Israel, whose high inflation is reflected in their cost.

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Since 1967, the Israelis have imposed restrictions on which crops Arab farmers grow and where they market their produce. They cannot grow crops that compete with Israeli produce. Farmers must obtain permits to plant trees and vegetables, and Israel has rarely issued permits to plant new trees or even to replace old trees.[29]

[27]Graham-Brown in Aruri, pp. 186-187.

[28]I. Arnon and M. Raviv, *From Fellah to Farmer* (Rehovot, Israel: Settlement Study Centre, 1980), p. 62.

[29]Ann M. Lesch, "Gaza: Forgotten Corner of Pa-

Therefore, the Arabs' poultry, melon and pumpkin exports, once strong, collapsed after 1967. The Israelis did introduce onion seeds into the West Bank because they would not compete with Israeli farmers, but then the onions were exported through Israel.[30]

Gaza was refused permission to open a canning factory to make use of its undersized oranges, which are more prevalent now due to the salination of the water, the lack of irrigation, and the restrictions on replacing old trees.[31]

Under Israel's "open bridges" policy, exports to Jordan are encouraged. The main exports now are oranges, olive oil and vegetables. Watermelons, pumpkins and some grains used to be exported, but these are now imported.[32]

Most of Arab agricultural produce is sold fresh directly at local markets. And because there is only one food-processing plant (a tomato paste factory in Hebron) on the West Bank, timing is an important factor in Arab exports. The frequently imposed town curfews, market closings, and roadblocks can be and have been detrimental to family income.

On the other hand, Israeli produce, which is usually cheaper, floods the markets of the territories. In 1980-81, of a total 87,797 tons of vegetables for sale in West Bank markets, 22,930 tons came from Israel. Of fruits, melons and pumpkins, 32,095 tons of the 62,207 total were from Israel. In Gaza that same year, 16,036 of 43,691 tons of vegetables and 22,800 of 33,476 tons of fruit were from Israel.[33]

Industry in the territories is besieged by a number of problems. Raw materials are scarce in the West Bank, and so they must be imported. Of the raw materials used in industry, 24 percent originate in the West Bank, 61 percent come from Israel and 15 percent from abroad.[34]

Arab banks were barred from reopening after 1967, and until recently Israel had refused permission to open new banks. The recent exception is the Cairo-Amman Bank, which opened in the West Bank in September 1986, but this bank is lending only to merchants and requires excessive guarantees.[35] Therefore, Palestinians in the territories must rely on Israeli banks, which charge high interest rates in the territories. Foreign transfers must also go through Israeli banks. Therefore, there are no loan facilities, credit, or banking services.

Moreover, because Israeli products are freely marketed in the territories, Arab industry finds it difficult to compete with comparatively cheap Israeli goods. (Israeli goods are subsidized sometimes up to 60 percent.) In fact, the West Bank and Gaza are the second largest importers of Israeli goods. In 1983, the territories imported \$680.5 million of Israeli goods, while the United States imported \$1,329.2 million from Israel's total exports of \$5,574.3 million.[36] The value of the territories' industrial imports is seven times that of its agricultural imports, reflecting the dearth of industry in the territories.

Israel imports 73 percent of the territories' commodities (which is six times more than the amount of the agricultural products it imports from the territories), but most of these commodities are reexported Israeli goods which had been unfinished goods subcontracted to the territories because of low labor costs.[37] In fact, most

lestine," *Journal of Palestine Studies*, vol XV, no. 1, p. 47.

[30]Arnon, p. 69, and Graham-Brown in Aruri, p. 189.

[31]Graham-Brown in Aruri, p. 188.

[32]Sahliyeh, p. 68.

[33]Graham-Brown in Aruri, p. 189.

[34]Sahliyeh, p. 59.

[35]"Twenty Years of Occupation Breeds Stagnant, Dependent Economy," *Al-Fajr*, May 17, 1987, p. 9.

[36]Sayigh, p. 47.

[37]Ibid., p. 48.

Palestinian crafts are sold to Israel, labelled "Made in Israel," and then sold abroad.

The lack of raw materials and financing and the competition from Israeli goods, combined with the uncertain political status of the territories, make investment in industry undesirable. It is no surprise then that industry in the territories has declined.

Even though the percentage of Arab wage labor is increasing, West Bank industry employs only 13-15 percent of the West Bank labor force, compared to 22.2 percent in 1963. The industrial sector now contributes about 6.7 percent to the territories' GNP, compared to 8.7 percent in 1966. By the late 1970s industrial firms numbered around 2,587, two-thirds were in auto repair, blacksmithing, carpentry, cement and stone. The rest were in sewing, weaving, leather and plastic.[38] Tourism has declined, as Israeli restrictions on Arab travel agencies and their lack of access to advertising have drawn tourists away from the territories. And restrictions on building in the territories have meant that the local construction industry is not allowed to respond to the growing demand for housing.

In contrast to the lack of investment in the Arab industrial sector, by 1983 the Israelis had built six industrial parks (totalling 1,260 dunums) in the territories and were planning seven more (totalling 15,010 dunums), primarily to give employment to the settlers. One-half of all the workers in the largest industrial park are Jews employed in military installations.[39] Although these require heavy financing, government money has been readily available. Entrepreneurs inside Israel can sell their present business at a high profit and receive a free plot in the industrial parks in the territories.[40]

[38]Sahliyeh, p. 58.

[39]*Living Conditions* . . . , pp. 22, 27.

[40]Ibid., p. 26.

Because of the poor outlook in agriculture and industry, many families left farming or supplement their income by wage labor in Israel. Immediately after the war, labor from the territories was prohibited by Israel, but when the Israeli economy experienced an upswing and labor officials saw that cheap migrant labor would fill jobs that Israelis didn't want, the restrictions were dropped.

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In 1983, 37.8 percent of the territories' labor force (32.7 percent from the West Bank and 46.5 percent from Gaza) worked in Israel (compared to 13 percent in 1970).[41] These figures do not include illegal employment, which has been estimated to be as high as 20,000, or another 15 percent. The majority of those employed in Israel are in construction. Another 15,000 are in subcontracting businesses (construction, furniture, textiles and metals).[42] Together, that means more than half of the territories' labor force is engaged in the Israeli economy.[43]

Conversely, employment in the territories declined from 88 percent in 1970 to 62 percent in 1983.[44] The largest loss of local labor has been in agriculture, which declined from 44.8 percent in 1969 to 28 percent by the late 1970s, and 26 percent

[41]Sayigh, p. 49.

[42]Sahliyeh, p. 61.

[43]See Moshe Semyonov and Noah Lewin-Epstein, *Hewers of Wood and Drawers of Water* (New York: ILR Press, 1987) for a study on the effects of migrant labor on the Israeli labor force.

[44]*Living Conditions* . . . , p. 16.

for 1983.[45] The proportion of the labor force in industry has remained level, reflecting the lack of industrial development.

Few, if any, Palestinian laborers are engaged in strategic branches of any sector or in a highly skilled capacity (except construction). They commute into Israel daily (laws prohibit staying overnight, though some do so surreptitiously). And for some, especially Gazans, commuting itself may take up to 20 hours a week.[46]

Official Arab laborers have the same taxes withheld as the Israeli laborer, but they do not receive the same benefits. When they are entitled to benefits, they receive them in the territories, where facilities, such as hospitals, are of lower quality.[47] This certainly must contribute to the high numbers of illegal workers, who would rather not have money withheld from which they reap no benefit.

Hospitals, research centers, cooperatives, etc. which could absorb labor are few and undersupported. Those social, health and educational institutions that exist do so primarily from transfers of external philanthropic organizations. But even these come under Israeli restrictions. For instance, ANERA [American Near East Refugee Aid], which receives dollars from U.S.A.I.D. and is one of the least restricted non-governmental organizations in Israel, had projects for a hospital, electrification, and agricultural co-ops disapproved in 1979.[48]

By 1974, earnings from Israel accounted for one-fourth of the territories' GNP.[49] Remittances account for about one-third. Before 1973, per-capita consumption grew at an annual average rate of 6.7 percent on the West Bank and 6.4 percent in Gaza, accounting for 72 percent of domestic uses in the territories (compared to 54-59 percent in Israel, Jordan, Egypt or Syria).[50] While many dualists point to this as a sign of prosperity in the population, such a high figure also reflects the lack of investment in the territories.

The absence of a centralized government has had its socio-economic effects also. Obviously, the governmental void means a lack of public-sector jobs, lack of planning and development schemes, coordination and institutions. Some have tried to organize locally. For instance, in the mid-1970s the National Guidance Council, a group intended to deal with development issues, formed, but many of its members were arrested, exiled or debarred from public office.[51] Trade unions have experienced a similar demise. Such organizations are subject to search, seizure and closure.

One can see that Palestine does not fit neatly into any one of the various development theories. The traditional colonial theories don't fit because Britain didn't act primarily in its own interests in Palestine, as it did in its other colonies, such as India. Instead, it played the role of facilitator for Zionist interests. Perhaps the concept of "internal colonialism" comes closer because it incorporates the additional aspects of dispossession and displacement of the population and is carried out by a power now within the area; perhaps the closest parallel in this instance would be South Africa. Dependency theory seems not entirely appropriate because the territories lack the sovereignty and geographical separation of center and periphery that is usually present in dependency situations. And foreign investment, a major element in dependency theory, is missing in the territories.

[45]Ibid., p. 18.

[46]Garfield H. Horn, "Gaza's Labour Trap," *IDRC Reports*, October 1986, p. 5.

[47]Graham-Brown in Aruri, p. 209.

[48]Ibid., p. 221.

[49]Gabriel, p. 255.

[50]Ibid.

[51]Graham-Brown in Aruri, p. 216.

Although the territories began their integration into the capitalist system early in the nineteenth century (a booming economy period that stage-theorist Rostow might consider a "take-off"), a total restructuring of the territories' agricultural system is still incomplete; though the economy is much more export-oriented, it is still somewhat traditional and diverse. Thirty percent is sharecropping, and land holdings are generally small. In fact, the territories are largely cut off by Israel from direct integration with the world system. The territories have been used to facilitate the capitalist world system, while not becoming fully a part of it.

The dualistic and interdependency models depicted by Israeli sociologists seem euphemistic at best. During both the Mandate period and the occupation period, there was extensive interaction between the two sectors and the "spillover" effects obviously have not been to the benefit of the traditional sector.

In short, it's theoretically safe to say that the territories have been systematically underdeveloped by an outside power (Zionism) which itself eventually became a pivotal part of the area (Israel). Israel's policies in the territories obviously are intended to work for the benefit of the Jewish state. Whether the economic conditions of the territories can be reversed and rehabilitated, and under what geopolitical arrangement, is the conspicuous question still begging an answer.